

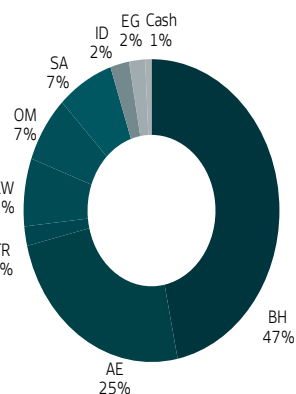
## Managers Commentary

The SICO Fixed Income Fund plunged by 12.5% in March as GCC bond markets failed to grapple with the unfolding covid-19 story and its negative economic repercussions compounded by the oil price shock as Brent fell below USD 30 a barrel.

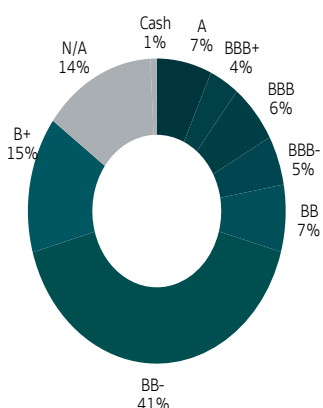
The Barclays GCC Bond Index also experienced its worst month in history as it sank by 8.8% with all six GCC states ending the month in the red. Tightening coronavirus restrictions along with a collapse in oil prices amidst lower demand and increasing oil production have taken its toll on both regional and global markets with Oman (-21.9%), Bahrain (-16.8%) and UAE (-7.9%) bonds the worst affected in the region. Spreads on GCC bonds jumped to ridiculous levels and almost tripled from an average of 150 bps to nearly 450bps highlighting the worsening credit environment. While rating downgrades were imminent with both Oman and Kuwait losing a notch, the lack of liquidity added an extra layer of complexity as buyers were completely absent or only in small amounts. Corporate securities were absolutely neglected with non-IG sovereigns falling the most while the yield on local real estate bonds shot up to 20%. The Fed and other Central Banks including the IMF responded with record stimulus packages, rate cuts, quantitative easing, loans as well as other forms of fiscal and economic measures to soften the financial impact of the containment efforts. This initially caused a relief rally but was short-lived as stimulus alone cannot eradicate the problem but will require medical advances, vaccines and definitive containment of the virus.

The Fund struggled under these conditions with its overweight in certain corporate sectors however remains adequately positioned to recover due to our prudent strategy with nearly 20% of the securities returning to par as they mature over the next 6 months. These have lost over 20 dollars during the month on the back of deteriorating sentiment and poor liquidity however we also expect adequate recovery as these companies continue to have sufficient cash balances to meet debt obligations and are otherwise also government-backed. Bahrain government securities have also succumbed to the pressure of the regional selloff but seem to have found a floor at the end of the month with the worst now priced in. We believe that the GCC support package mitigates immediate funding pressure, but a lower medium-term outlook for oil prices means that stabilizing debt will require further fiscal consolidation. Nevertheless, while the near-term outlook for global markets remains anemic at best, we continue to be optimistic about the longer-term. Such is the extent of monetary and fiscal ammunition that has been deployed in recent weeks that we are hopeful that once the virus outbreak is perceived to have been contained globally that risk asset markets along with the Fixed Income Fund should be primed for a decent recovery.

### Country Allocation



### Rating Allocation



## Top Holdings

Name	Yield	Coupon	Maturity	(%)
BAHRAIN 2024	3.6	5.6	2/12/24	14.8
DARALA 2022	5.2	6.9	4/10/22	7.4
BATELCO 2020	2.9	4.3	5/1/20	6.8
BAHRAIN 2022	3.0	6.1	7/5/22	6.9

## Investment Objective

The Fund's primary objective is to generate income and seek capital appreciation over the medium to long term.

To achieve its objective, the Fund will actively invest in Government and Corporate Fixed Income, Sukuk, Repo, Money Market, and other Fixed Income related instruments.

## Fund Features

High Liquidity

Low Volatility

Excellent Vehicle for medium to long term investing

Returns (%)	Fund	Index
March 2020	-12.5	-8.8
YTD March 2020)	-12.2	-7.4
2019	10.3	15.0
2018	1.6	0.3
2017	3.4	4.7
2016	5.7	4.8
2015	1.6	1.7
2014	8.4	6.8
2013 (April till December 2013)	-1.0	-0.4
Last 3 months	-12.2	-7.4
Last 6 months	-9.2	-4.6
Last 1 year	-6.3	1.8
Last 3 years	-1.2	8.3
Annualized (last 3 years)	-0.4	2.7
Since Inception (April 13 — March 20)	17.0	26.9

\*Barclays GCC Bond Index

## Fund Information

Launch Date	April 2013
Management Fee	1.00%
Subscription & Redemption	Weekly
Dealing Day	Wednesday
Subscription & Redemption Deadline	Two business days before dealing day
Minimum Subscription	\$ 100,000.00
Dividends	Semi Annual
Registrar	HSBC Middle East
Custodian/Administrator	HSBC Middle East

## Top Risk Statistics

Name	Fund	Index
Yield to Maturity (%)	8.0	4.7
Duration (years)	2.9	6.9
Coupon (%)	6.2	4.2
Spread (bps)	738	414

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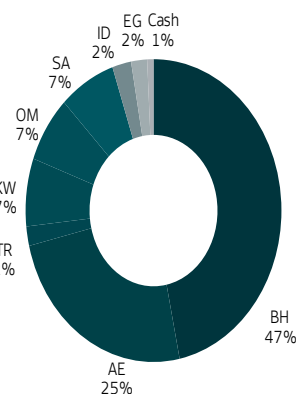
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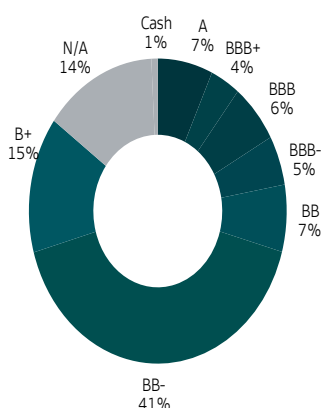
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Dealing Day	Wednesday
Subscription & Redemption Deadline	Two business days before dealing day
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